

term from disbursement to repayment is just over eight months. In contrast, the Rural Electrification Administration (REA) makes both insured (direct) and guaranteed loans to rural electric cooperatives for the construction and operation of generating plants, electric transmission and distribution lines, or systems in rural areas. There is approximately a seven-year lag between the time the loans are obligated or committed and the time they are fully disbursed. As of 1982, the REA had \$1.3 billion in obligated but not disbursed direct loans, and \$10.7 billion in committed but not guaranteed loans. REA loans are repaid over an average term of 35 years.

Table III-3 shows the Administration's estimate of net lending for direct loans by major program. Total disbursements are estimated to be \$29.3 billion for 1984, repayments \$19.3 billion, and net lending \$10.1 billion. Net lending for on-budget programs is assumed to decrease from \$9.1 billion in 1982 to net receipts of \$329 million in 1984. This results primarily from an assumption of improved agricultural markets and fewer new CCC loans. Off-budget lending is also assumed to decline from 1982 to 1984. A general factor affecting net lending is the growing weight of repayments compared to disbursements, as new loans are either being frozen or are declining.

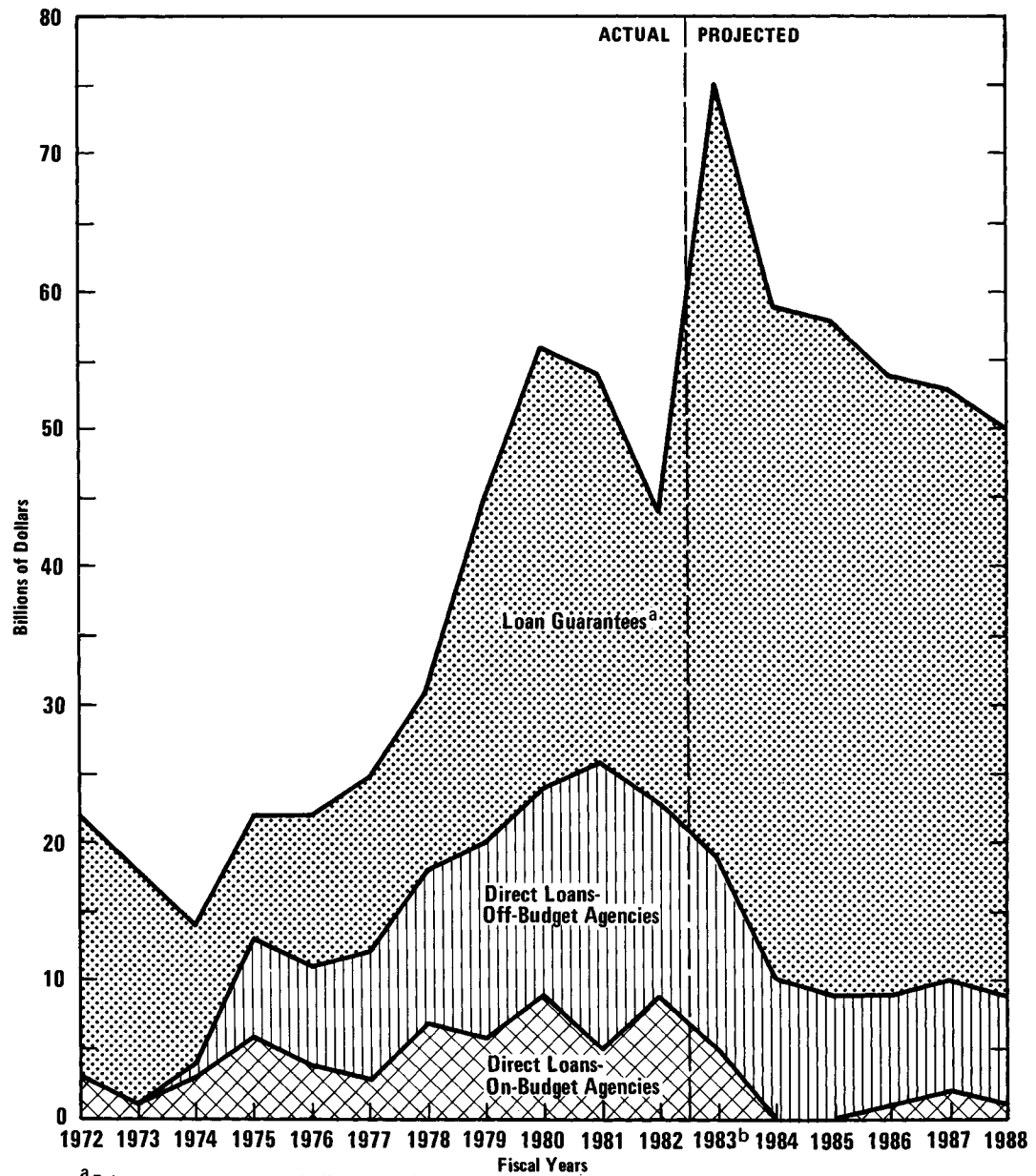
Growth in Net Federal Lending

Participation in credit markets can be measured in terms of net transactions--new loans less repayments. The growth in net federal credit, new direct lending by both on- and off-budget agencies and new loans guaranteed less repayments, is shown in Figure 2. In recent years, the volume of new direct loans and new loans guaranteed has grown rapidly. Annual net direct lending rose from \$4.1 billion in 1974 to \$26.1 billion in 1981, an increase of over 500 percent. Most of the growth in net direct loans occurred in lending by off-budget agencies, whose activities are excluded from the unified budget totals. Net loans guaranteed rose from \$10.3 billion in 1974 to \$28.0 billion in 1981, an increase of 172 percent. Under the Administration's proposals, net federal lending is estimated to increase substantially from 1982 to 1983, but to decrease in 1984 through 1988. The decrease is due first to the Administration's proposal to freeze new lending at current levels, and second to the growth in repayments that had lagged behind recent growth in new lending.

Federal Participation in Capital Markets

The federal government participates in domestic credit markets both as a lender and a borrower. It acts directly as a lender through federal loan and loan guarantee programs, the activities covered by the federal credit budget. It also affects credit markets indirectly through the lending

Figure 2.
Components of Net Federal Credit



^a Primary guarantees: excluding secondary guarantees and guaranteed loans acquired by on- and off-budget agencies.

^b Estimate.

SOURCE: *Budget of the United States Government, Fiscal Year 1984, Special Analysis F, Federal Credit Programs.*

TABLE III-3. NET LENDING FOR DIRECT LOANS BY MAJOR PROGRAM (In millions of dollars)

	1982 Actual	1983 Estimate	1984 Estimate
On-budget			
Economic support fund	652	416	420
Public Law 480	590	531	548
Export-Import Bank	763	915	1,216
Commodity Credit Corporation			
price supports	6,325	4,382	-2,025
Small Business Administration	22	-181	-525
Housing and Urban Development			
programs	351	-747	-650
Education assistance	641	470	294
Veterans Administration programs	228	-404	245
Other	-465	-220	148
Subtotal, on-budget	<u>9,107</u>	<u>5,162</u>	<u>-329</u>
Off-budget			
Rural Electrification Administration (REA)	232	261	230
United States Railway Association (USRA)	-42	-64	-21
Federal Financing Bank (FFB)			
Purchase of loan assets			
Agriculture credit insurance fund	1,055	835	-104
Rural housing insurance fund	2,800	2,650	---
Rural development insurance fund	1,060	686	664
REA	528	565	465
Other	-4	-39	-16
Purchase of loans guaranteed by			
other agencies			
Foreign military sales credit	2,288	2,848	4,187
REA	3,939	5,345	4,591
Other	2,489	1,348	404
Subtotal, off-budget	<u>14,345</u>	<u>14,435</u>	<u>10,400</u>
Total, on- and off-budget	23,452	19,597	10,017

SOURCE: Budget of the United States Government, Fiscal Year 1984, Special Analysis F, Federal Credit Programs.

activities of privately owned, government-sponsored enterprises. The federal government borrows to support its operations. It borrows directly through the Treasury to finance on- and off-budget deficits; it borrows indirectly by guaranteeing loans of other borrowers and through the borrowing of government-sponsored enterprises.

The impact of the federal government on credit markets depends on the size of its operations compared to total credit activity. Table III-4 shows federal participation in domestic credit markets from 1973 to 1982 in relation to that total. Over the past ten years federal lending and federal borrowing have increased fairly steadily. The participation rate, in contrast, has fluctuated. In 1979 the federal government borrowed 19 percent of all funds raised in U.S. credit markets, but in 1982 the participation rate reached 50 percent. This can be attributed partly to the rise in the deficit and partly to the fall in economic activity.

The significance of the federal participation rate depends on the economy. If the private demand for credit is low--as in a recession--a \$125 billion credit budget or a \$202 billion deficit may not have much impact on the credit market. If, on the other hand, the economy is near full capacity and private demand for credit is high, the same credit budget would crowd out many private borrowers.

A global measure such as the federal participation rate tends to cloud differences in the effects of particular credit programs on the demand for credit. At one extreme, direct borrowing to finance the federal deficit increases dollar-for-dollar the total demand for credit. At the other extreme, Federal Housing Administration (FHA) single family mortgage insurance and the borrowing and lending of government-sponsored enterprises leads to a relatively small increase in the demand for credit because most of these loans would have occurred in the absence of federal credit assistance.

FEDERAL FINANCING BANK ACTIVITY

The Federal Financing Bank, through its purchase of agency loan assets and agency guaranteed loans, is the government's largest lender, although it initiates no new lending. As shown in the Table III-3, the FFB accounted for 60 percent of total outlays due to net lending in 1982 and is expected to account for virtually all outlays due to net lending in 1984. The major budgetary issue presented by the FFB is not its impact on direct lending but its impact on the budget status of other federal credit activities.

The FFB purchase of agency loan assets converts on-budget direct loans of the Farmers Home Administration (FmHA) to off-budget direct

TABLE III-4. FEDERAL PARTICIPATION IN DOMESTIC CREDIT MARKETS (In billions of dollars)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Total Funds Loaned and Borrowed in U.S. Credit Markets	198.2	187.5	177.9	243.1	308.3	383.4	426.4	366.4	427.2	408.7
Loaned Under Federal Auspices										
Direct loans										
On-budget	0.9	3.3	5.8	4.2	2.6	8.6	6.0	9.5	5.2	9.1
Off-budget	0.1	0.8	7.0	6.7	9.0	11.2	13.6	14.7	20.9	14.3
Guaranteed loans	16.6	10.3	8.6	11.1	13.5	13.4	25.2	31.6	28.0	20.9
Government-sponsored enterprises	8.5	11.2	5.6	4.9	11.7	25.2	28.1	24.1	32.4	43.4
Total	26.1	25.5	27.0	26.9	36.7	58.4	72.9	79.9	86.5	87.6
Federal participation rate (percent)	13.2	13.6	15.2	11.1	11.9	15.2	17.1	21.8	20.2	21.4
Borrowed Under Federal Auspices										
Federal borrowing from public	19.3	3.0	50.9	82.9	53.5	59.1	33.6	70.5	79.3	135.0
Borrowing for guaranteed loans	16.6	10.3	8.6	11.1	13.5	13.4	25.2	31.6	28.0	20.9
Government-sponsored enterprise borrowing	10.6	10.9	5.3	4.1	12.0	21.4	21.9	21.4	34.8	43.8
Total	46.5	24.2	64.8	98.1	79.0	93.9	80.7	123.5	142.1	199.7
Federal participation rate (percent)	23.5	12.9	36.4	40.4	25.6	24.5	18.9	33.7	33.3	48.9

SOURCE: Budget of the United States Government, Fiscal Year 1984, Special Analysis F, Federal Credit Programs.

loans of the FFB. The sales of certificates of beneficial ownership by FmHA and the REA are treated in the budget as loan asset sales, although the possession of the loan notes, servicing responsibilities, and the risk of nonpayment, are not transferred to the FFB. When assets are actually sold, the receipts are treated in the budget as repayments and netted from outlays. Similarly, FFB purchases of FmHA and REA assets are recorded as repayments by FmHA and REA, thereby reducing their outlays and increasing FFB outlays. Table III-5 shows the distribution of FFB activity for 1982 through 1984. Total loan asset purchases were \$12.6 billion in 1982 and are expected to decline to \$7.4 billion in 1984. The major change between 1982 and 1984 is an Administration proposal--discussed in Chapter II--to change the budgetary treatment of FmHA rural housing insurance asset sales.

TABLE III-5. DISTRIBUTION OF NEW DIRECT LOAN OBLIGATIONS OF THE FEDERAL FINANCING BANK (By fiscal year, in millions of dollars)

Credit Activity	1982	Administration Estimates	
	Actual	1983	1984
<hr/>			
Purchase of Agency Loan Assets			
Farmers Home Administration			
Agriculture credit insurance	5,380	4,300	5,291
Rural housing insurance	5,170	5,335	---
Rural development insurance	1,535	1,191	1,644
Rural Electrification Admin.	528	565	465
Health Maintenance			
Organizations	<u>17</u>	<u>16</u>	<u>6</u>
Subtotal	12,630	11,408	7,406
 Agency-Guaranteed Loans Held As Direct Loans			
Foreign military sales credit	3,084	4,163	4,436
Rural Electrification Admin.	4,712	4,645	3,260
Student Loan Marketing Assn.	700	---	---

(Continued)

Table III-5. (Continued)

Credit Activity	1982 Actual	<u>Administration Estimates</u> 19831984	
Agency-Guaranteed Loans Held As Direct Loans (Continued)			
Community development grants	179	225	---
Railroad programs	16	31	---
TVA-Seven States Energy Corp.	4,513	5,412	6,258
SBA small business investment companies	215	375	375
Satellite leases (NASA)	146	205	37
Other	37	---	---
Subtotal	<u>13,602</u>	<u>15,056</u>	<u>14,365</u>
Total FFB New Lending	26,232	26,465	21,771

Net Outlays	14,155	14,239	10,192

The FFB purchase of agency-guaranteed loans converts guarantees into off-budget direct loans of the FFB. In the foreign military sales credit program, for example, the Defense Department guarantees the military purchases of a foreign country. It then sells the note to the FFB, which disburses funds to U.S. defense industries as the conditions of the loan are fulfilled. The foreign country repays the loan to the FFB. No private lenders are involved in the transaction. As noted in Table III-5, FFB purchases of agency-guaranteed loans are expected to remain relatively constant through 1984.

Changes in FFB program levels do not affect on-budget outlays, but require federal borrowing, add to public debt subject to limit, and increase the federal participation in credit markets.

CHAPTER IV. THE CREDIT BUDGET BY MAJOR BUDGET FUNCTION

This chapter provides a description of the credit activities of the government by major budget function. It describes each active credit program in terms of the CBO baseline assumptions and the Administration's request. It also describes program characteristics such as interest rates, target populations, and program financing, plus any Administration-proposed changes in the programs. Three different types of tables are used:

- o A baseline summary table for each function, giving CBO baseline estimates for 1982-1988, by account;
- o A proposed-changes table showing the effect of Administration proposals on the baseline budget as estimated by CBO;
- o A major program table giving a detailed breakdown of the credit budget components of major programs.

Data on credit programs in this chapter have been taken from the Appendix to the Budget of the United States Government, Fiscal Year 1984, specifically the series of schedules entitled "Status of Direct Loans" and "Status of Loan Guarantees" that follow the "Program and Financing" schedule for each budget account containing credit activity.

Table IV-1 summarizes the 1983 proposed credit activities by function. Direct loan programs are concentrated in three functions: agriculture, energy, and international affairs. The great bulk of guaranteed lending is in support of housing through the Commerce and Housing, Veterans' Affairs, and Income Security functions. The functional distribution of the credit budget was included for the first time in the targets of the first concurrent resolution for fiscal year 1982 and in the House and Senate Budget Committee reports on that resolution.

TABLE IV-1. CBO CREDIT BUDGET BASELINE BY FUNCTION, FISCAL YEAR 1983
(By fiscal year, in billions of dollars)

Program	CBO Baseline Estimates					
	1983	1984	1985	1986	1987	1988
Direct Loan Obligations						
050 National Defense	---	---	---	---	---	---
150 International Affairs	10.1	11.6	12.2	12.7	13.3	13.9
250 General Science, Space and Technology	0.2	*	---	---	---	---
270 Energy	11.6	12.6	13.3	13.7	14.1	14.2
300 Natural Resources	*	*	*	*	*	*
350 Agriculture	16.4	13.2	11.0	11.3	12.0	12.0
370 Commerce and Housing Credit	6.4	6.5	6.7	7.4	8.1	8.3
400 Transportation	0.2	0.1	0.1	0.1	0.1	0.1
450 Community and Regional Development	1.6	2.2	2.3	2.4	2.5	2.8
500 Education, Training, Employment and Social Services	0.6	0.7	0.7	0.8	0.9	0.9
550 Health	*	*	*	*	*	*
600 Income Security	1.0	1.0	0.8	0.5	0.3	0.1
700 Veterans' Benefits and Services	1.0	0.8	0.6	0.7	0.8	0.9
750 Administration of Justice	---	---	---	---	---	---
800 General Government	---	---	---	---	---	---
850 General Purpose Fiscal Assistance	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>
Total	49.5	49.1	48.2	50.0	52.4	53.7

* Less than \$50,000.

(Continued)

Table IV-1. (Continued)

Program	CBO Baseline Estimates					
	1983	1984	1985	1986	1987	1988
Loan Guarantee Commitments						
050 National Defense	---	---	---	---	---	---
150 International Affairs	9.2	9.7	10.1	10.6	11.0	11.4
250 General Science, Space and Technology	---	---	---	---	---	---
270 Energy	0.2	0.2	---	---	---	---
300 Natural Resources	---	---	---	---	---	---
350 Agriculture	5.5	3.8	3.8	3.8	3.9	3.9
370 Commerce and Housing Credit	48.7	51.0	53.4	55.7	58.0	60.2
400 Transportation	1.0	0.7	0.3	0.3	0.3	0.3
450 Community and Regional Development	0.5	0.5	0.5	0.4	0.4	0.3
500 Education, Training, Employment and Social Services	6.5	6.6	6.6	6.6	6.6	6.6
550 Health	0.2	0.3	0.3	0.3	0.3	0.3
600 Income Security	14.6	14.7	16.5	18.1	18.5	18.5
700 Veterans' Benefits and Services	8.0	9.0	10.5	12.5	15.0	17.0
750 Administration of Justice	---	---	---	---	---	---
800 General Government	---	---	---	---	---	---
850 General Purpose Fiscal Assistance	---	---	---	---	---	---
Total	94.6	96.5	102.0	108.4	113.9	118.6

FUNCTION 050: NATIONAL DEFENSE

The only active credit program in the defense function is a program of direct loans and loan guarantees administered by the Department of Defense to assist private businesses in fulfilling defense production contracts. The loans may be made for expansion of capacity, development of technological processes, and production of essential materials, including exploration, development, and mining of strategic and critical metals. Title III of the Defense Production Act of 1950 limits individual direct loans to \$25 million and individual loan guarantees to \$20 million. There have been no direct loans in recent years.

An appropriation limitation of \$30 million on new primary loan guarantee commitments was enacted for 1982. For the first time, the program was financed through the Federal Financing Bank as a direct loan guaranteed by the Department of Defense. Disbursement of the \$30 million commitment is expected to begin in 1983. Neither the CBO baseline nor the President's budget projects any new commitments for the program.

During the second session of the 97th Congress, there was extensive debate over H.R. 5540, the Defense Industrial Base Revitalization Act, which sought to make major amendments to the Defense Production Act of 1950. Section 303(g) of the bill authorized \$1 billion in each fiscal year from 1983 through 1987 for financial incentives including direct loans, loan guarantees, purchase contracts, and price guarantees to be provided to small and medium-sized businesses to strengthen the national defense industrial base. CBO's cost estimate of the bill projected loan guarantee commitments of \$2.3 billion in each specified year with total associated outlays over the five years of \$5.0 billion. The estimate assumed half the authorized funds would be used for loan guarantees and that defaults would be approximately equal to the 21.8 percent rate in the Small Business Administration lending programs. H.R. 5540 was not enacted and the Defense Production Act was extended as is for six months, to be taken up by the Congress in March of this year.

FUNCTION 150: INTERNATIONAL AFFAIRS

Credit assistance in the international affairs function includes loans to foreign countries for economic development, the purchase of military equipment, and the purchase of U.S. surplus commodities. International trade is promoted through assistance to U.S. firms doing business overseas and to foreign countries and businesses making purchases in the United States. The Export-Import Bank and foreign military sales programs are among the largest of all credit programs. Table IV-2 summarizes the new direct loan obligations and new loan guarantee commitments in this function.

The CBO baseline projects a total of \$11.6 billion in new direct loan obligations in 1984, increasing to \$13.9 billion by 1988. The baseline projection for new primary loan guarantee commitments is \$9.7 billion, increasing to \$11.4 billion by 1988. The Administration is requesting total new direct loan obligations of \$11.2 billion and new loan guarantee commitments of \$10.3 billion in 1984. Table IV-3 highlights the differences between the baseline and the President's budget as estimated by CBO.

The Administration is proposing limitations on four credit programs: direct loans and loan guarantees for foreign military sales, the Export-Import Bank, and the Overseas Private Investment Corporation; and loan guarantees in the housing investment guaranty credit program.

Functional Development Assistance

The Foreign Assistance Act of 1961 authorizes grants and direct loans for various development assistance programs administered by the Agency for International Development (AID). These funds may be used for development assistance projects in agriculture, nutrition, health, education, human resources development, and energy research. For 1984, the CBO baseline projection is \$411 million in new direct loan obligations. The program is projected to reach \$485 million by 1988.

Economic Support Fund

The Economic Support Fund provides grants and loans to countries of strategic importance to the United States, particularly Turkey, Jamaica, and the Caribbean countries. Loans from the fund require annual authorization and appropriations equal to their face value. Interest is accrued at 2 to 3 percent over a period of up to 40 years. The CBO baseline projects \$403

TABLE IV-2. INTERNATIONAL AFFAIRS CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982 Actual	CBO Baseline Estimates					
		1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Functional develop- ment assistance	398	392	411	431	449	467	485
Economic Support Fund	366	385	403	422	441	459	476
P.L. 480	777	767	809	842	897	954	1,010
Foreign military sales	800	1,175	1,230	1,289	1,345	1,399	1,452
Foreign military sales, FFB direct loans	3,083	3,638	3,809	3,991	4,166	4,333	4,497
Guarantee Reserve Fund	217	253	306	344	381	436	479
Export-Import Bank	3,516	3,425	4,606	4,827	5,038	5,240	5,438
Other	<u>18</u>	<u>22</u>	<u>21</u>	<u>16</u>	<u>16</u>	<u>17</u>	<u>17</u>
Total	9,175	10,057	11,595	12,162	12,733	13,305	13,854
Loan Guarantee Commitments							
Overseas Private Investment Corporation	99	100	105	110	114	119	124
Housing and other guaranty credit	122	150	157	165	172	179	185
Foreign military sales	3,083	3,638	3,809	3,991	4,166	4,333	4,497
Export-Import Bank	<u>5,831</u>	<u>9,000</u>	<u>9,423</u>	<u>9,873</u>	<u>10,305</u>	<u>10,719</u>	<u>11,124</u>
Total, gross	9,135	12,888	13,494	14,138	14,757	15,350	15,930
Less							
Guarantees of direct loans sold to the FFB	<u>-3,083</u>	<u>-3,638</u>	<u>-3,809</u>	<u>-3,991</u>	<u>-4,166</u>	<u>-4,333</u>	<u>-4,497</u>
New primary guarantees	6,052	9,250	9,685	10,147	10,591	11,017	11,433

TABLE IV-3. PROPOSED CHANGES IN INTERNATIONAL AFFAIRS
CREDIT PROGRAMS (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
Baseline Direct Loans	11.6	12.2	12.7	13.3	13.9	
Proposed changes						
FMS	-0.2	-0.3	-0.3	-0.4	-0.5	-1.7
FMS, FFB direct loans	0.6	0.4	0.3	0.1	-0.1	1.3
Eximbank	-0.8	-1.0	-1.2	-1.4	-1.6	-6.0
Other	---	0.2	0.1	---	-0.1	0.2
Total change	-0.4	-0.7	-1.2	-1.7	-2.2	-6.2
President's budget as estimated by CBO	11.2	11.5	11.5	11.6	11.6	
Baseline Loan Guarantees	9.7	10.1	10.6	11.0	11.4	
Proposed changes						
FMS	0.6	0.4	0.3	0.1	-0.1	1.3
FMS guarantees of direct loans	-0.6	-0.4	-0.3	-0.1	0.1	-1.3
Eximbank	0.6	0.1	-0.3	-0.7	-1.1	-1.4
Other	---	0.1	---	---	---	0.1
Total change	0.6	0.2	-0.3	-0.7	-1.1	-1.3
President's budget as estimated by CBO	10.3	10.3	10.3	10.3	10.3	

million in new direct loan obligations for 1984, increasing to \$476 million by 1988.

Food for Peace (Public Law 480)

Public Law 480, the Agriculture Trade Development Act of 1954, authorizes the Commodity Credit Corporation (CCC) to extend credit to foreign countries and exporters to finance the sale of agricultural com-

modities. Credit sales for dollars are repayable over 20 years; sales for convertible foreign currencies are repayable over 40 years. Outstanding loans at the end of 1982 totaled \$8.3 billion. For 1984, the CBO baseline projection is \$809 million in new direct loan obligations, increasing to \$1.0 billion by 1988.

Overseas Private Investment Corporation (OPIC)

OPIC encourages the participation of U.S. private capital and skills in the economic and social development of less developed friendly countries. Its primary programs are risk insurance against losses due to political upheaval and investment financing through direct and guaranteed loans. The Foreign Assistance Act of 1969, as amended, authorizes OPIC to guarantee up to 75 percent of the principal of a loan. Maximum contingent liability is limited to \$750 million. For 1984, the CBO baseline projects \$10 million in new direct loan obligations and \$105 million in new loan guarantee commitments.

Housing and Other Guaranty Credit

The housing guaranty program extends guarantees to assist developing countries in formulating and executing sound housing and community development policies to meet the needs of lower income groups. The program's activities include providing homesites and shelter for poor families; slum upgrading projects; low-income shelter projects; and project-related community facilities and services.

For 1984, CBO projects \$10 million in new direct loan obligations, entirely for defaulted loan guarantees. New loan guarantee commitments are projected at \$157 million in 1984, increasing to \$185 million by 1988.

Foreign Military Sales (FMS)

The Arms Export Control Act, as amended, authorizes direct loans by the Department of Defense and federal guarantees of loan agreements to foreign countries for the purchase of defense articles and services. The direct loans require an appropriation equal to the face value of the loan. Guaranteed loans are controlled by limitations in appropriations acts. The Administration estimates that direct loans of \$1.2 billion and \$1.0 billion will have repayments forgiven in 1983 and 1984. This forgiveness of repayment effectively converts direct loans to grants, (see Table IV-4).

For 1984, the CBO baseline projection for FMS new direct loan obligations is \$1.2 billion, increasing to \$1.5 billion by 1988. The Administration estimates \$1.0 billion in 1984 and freezes the program at this level

TABLE IV-4. FOREIGN MILITARY SALES (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Esti- mated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
On-budget direct loans					
Limitation	800	1,175	1,230	---	1,000
Exempt from limitation					
Entitlements and other					
mandatory programs	<u>---</u>	<u>---</u>	<u>---</u>	<u>1,175</u>	<u>---</u>
Total, on-budget direct					
loan obligations	800	1,175	1,230	1,175	1,000
FFB transactions					
Guaranteed loan purchases	<u>3,083</u>	<u>3,638</u>	<u>3,809</u>	<u>3,638</u>	<u>4,436</u>
Total, gross direct					
loan obligations	3,883	4,813	5,039	4,813	5,436
Loan Guarantee Commitments					
Limitation	3,083	3,638	3,809	3,638	4,436
Net Direct Lending					
On-budget	-116	<u>a/</u>	<u>a/</u>	-96	-74
Off-budget	<u>2,288</u>	<u>a/</u>	<u>a/</u>	<u>2,848</u>	<u>4,187</u>
Total	2,172	<u>a/</u>	<u>a/</u>	2,752	4,113
Cumulative Outstanding					
Direct loans	310	<u>a/</u>	<u>a/</u>	214	141
Loan guarantees	11,693	<u>a/</u>	<u>a/</u>	14,521	18,688
FFB	11,436	<u>a/</u>	<u>a/</u>	14,284	18,471

a/ Not estimated.

through 1988. In recent years all new guaranteed loans have been financed through the Federal Financing Bank; no private lender has been involved. In 1984, CBO projects \$3.8 billion of new direct loans financed through the FFB and guaranteed by the Department of Defense. These loans are projected to increase to \$4.5 billion by 1988. The Administration estimates \$4.4 billion for these new FFB direct loans in 1984.

In fiscal year 1981, the Arms Export Control Act was amended to eliminate the requirement that 10 percent of the principal of guaranteed loans be appropriated as a reserve against defaults. The obligated balance of \$1.1 billion appropriated in prior years was consolidated to create a guarantee reserve fund to make payments to lenders of FMS guaranteed loans for late payments and rescheduled loans. Such payments are treated as direct loans not subject to limitation. Repayments from borrowing countries are credited to the account. Since the fund was created, net payments have exceeded \$100 million per year. The Administration is estimating new direct loan obligations of \$306 million in 1984, increasing to \$479 million by 1988. The fund balance will fall below \$750 million in 1984 and be completely exhausted by 1987, requiring new appropriations to meet payments in fiscal year 1988.

Export-Import Bank

The Export-Import Bank (Eximbank) is a government corporation that aids in financing exports by U.S. firms to foreign countries or firms. Eximbank provides direct loans, loan guarantees, and insurance or reinsurance on terms and conditions that make U.S. products competitive with foreign products. Authority for loans, guarantees, or insurance outstanding is limited to \$40 billion. At the end of 1982, a total of \$22.6 billion was outstanding. Annual limitations on the program have been included in Foreign Assistance Appropriations Acts.

For 1984, CBO's baseline projection is \$4.6 billion in new direct loan obligations, \$0.8 billion higher than the Administration estimate, (see Table IV-5). CBO projects that these loans will increase to \$5.4 billion by 1988. The President announced a plan to seek a supplemental authorization of up to \$2.7 billion in new direct loans for 1984 if necessary to meet subsidized officially supported competition, but did not include these funds in his credit budget. Projections of a slow recovery in export markets suggest that this additional funding will not be necessary. CBO projects \$9.4 billion in new loan guarantee commitments, \$0.6 billion below the Administration estimate. These guarantees are projected to increase to \$11.1 billion by 1988.

TABLE IV-5. EXPORT-IMPORT BANK (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Direct Loan Obligations					
Limitation	4,400	4,400	4,606	4,400	3,830
Unused balance of limitation	<u>-884</u>	<u>-975</u>	<u>---</u>	<u>-975</u>	<u>---</u>
Total, gross direct loan obligations	3,516	3,425	4,606	3,425	3,830
Loan Guarantee Commitments					
Limitation	9,220	9,000	9,423	9,000	10,000
Unused balance of limitation	<u>-3,388</u>	<u>---</u>	<u>---</u>	<u>-1,000</u>	<u>---</u>
Gross loan guarantee commitments	5,832	9,000	9,423	8,000	10,000
Net Direct Lending					
On-budget	763	<u>a/</u>	<u>a/</u>	915	1,216
Cumulative Outstanding					
Direct loans	16,565	<u>a/</u>	<u>a/</u>	17,480	18,696
Loan guarantees	6,069	<u>a/</u>	<u>a/</u>	6,559	7,069

a/ Not estimated.

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

The National Aeronautics and Space Administration (NASA) conducts the only credit program in this function. NASA makes loan guarantees to Western Union Space Communications, Inc., for the construction and acquisition of the Tracking and Data Relay Satellite System. All of the loans guaranteed by NASA are financed through the Federal Financing Bank as off-budget direct loans.

Both the CBO baseline and the Administration project new loan guarantee commitments of \$37 million in 1984, a decrease of \$168 million from the estimated 1983 level. The FFB is expected to disburse the full \$37 million as direct loans in 1984. No new guaranteed loan activity is estimated to occur after 1984. Table IV-6 shows the credit activity for NASA.

TABLE IV-6. GENERAL SCIENCE, SPACE, AND TECHNOLOGY CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982	CBO Baseline Estimates					
	Actual	1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
National Aeronautics and Space Admin. (NASA)							
FFB purchase of agency-guaranteed direct loans	146	205	37	0	0	0	0
Loan Guarantee Commitments							
NASA	146	205	37	0	0	0	0
Less							
Guarantees of direct loans sold to the FFB	<u>-146</u>	<u>-205</u>	<u>-37</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
New primary guarantees	0	0	0	0	0	0	0

FUNCTION 270: ENERGY

This function includes credit programs for rural electrification and telephones funded through the Rural Electrification Administration, power projects funded through the Bonneville Power Administration, and the Tennessee Valley Authority. Table IV-7 summarizes the new direct loan obligations and new loan guarantee commitments in this function. Table IV-8 highlights the differences between the baseline and the President's budget as estimated by CBO.

Rural Electrification Administration

The Rural Electrification Administration (REA) of the Department of Agriculture conducts two capital investment programs: rural electrification, to provide electric service to farms and other rural establishments; and the rural telephone program, to furnish and improve telephone service in rural areas. Both programs are operated through the Rural Electrification and Telephone Revolving Fund (RETRF), which the Congress placed off-budget to exempt its activities from outlay or expenditure ceilings.

REA makes both direct and guaranteed loans through the RETRF. RETRF's activity has been financed primarily by the FFB through the use of loan sales and FFB origination of REA guaranteed loans. The direct loan program provides direct loans not to exceed 35 years in term, at an interest rate of 5 percent, in accordance with criteria specified in law. REA guaranteed loans are financed at one-eighth of one percent above the Treasury's borrowing rate.

In the last few years, appropriations language has presented range estimates--a floor and a ceiling--for direct loans to allow for changes in economic circumstances in rural areas during the fiscal year. The practice was continued for 1983 where the enacted limitation is \$1.4 billion and the Administration only plans to obligate \$1.1 billion. The CBO baseline projection for new direct loan obligations is \$1.2 billion in 1984, \$0.6 billion higher than the Administration. In 1984 the Administration is proposing a limitation of \$0.6 billion, all of which it plans to obligate. Loan assets of the REA are pooled and sold to the FFB as certificates of beneficiary ownership (CBOs). The certificates are guaranteed by REA. CBO projects asset sales in 1984 at \$0.6 billion, increasing to \$0.7 billion by 1988. CBO has reestimated the Administration's loan asset sales estimate of \$0.5 billion to \$0.6 billion in 1984.

CBO's baseline estimate for REA loan guarantees, including guarantees of loan asset sales, is \$5.3 billion in 1983 and projected to be \$5.6

TABLE IV-7. ENERGY CREDIT PROGRAMS BASELINE (By fiscal year, in millions of dollars)

Program	1982	CBO Baseline Estimates					
	Actual	1983	1984	1985	1986	1987	1988
Direct Loan Obligations							
Rural Electrification Admin. (REA)	1,099	1,100	1,152	1,206	1,259	1,310	1,360
REA, FFB direct loans	4,712	4,745	4,968	5,203	5,432	5,650	5,866
REA, loan asset purchases	528	600	592	610	643	680	716
Tennessee Valley Authority (TVA)	77	80	84	88	92	96	100
TVA, FFB direct loans	4,513	5,641	6,373	6,801	6,884	7,040	6,853
Bonneville Power Administration	<u>4</u>	<u>40</u>	<u>42</u>	<u>44</u>	<u>46</u>	<u>48</u>	<u>49</u>
Total, gross	10,934	12,206	13,212	13,953	14,356	14,824	14,945
Less							
Sale of loan assets to the FFB	<u>-528</u>	<u>-600</u>	<u>-592</u>	<u>-610</u>	<u>-643</u>	<u>-680</u>	<u>-716</u>
Total	10,406	11,607	12,620	13,343	13,713	14,144	14,228
Loan Guarantee Commitments							
Rural Electrification Administration	5,640	5,345	5,560	5,813	6,075	6,330	6,583
Tennessee Valley Authority	4,513	5,641	6,373	6,801	6,884	7,040	6,853
Geothermal resource development	<u>---</u>	<u>153</u>	<u>152</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total, gross	10,153	11,139	12,086	12,615	12,959	13,370	13,436
Less							
Guarantees of direct loans sold to the FFB	<u>-9,753</u>	<u>-10,986</u>	<u>-11,933</u>	<u>-12,615</u>	<u>-12,959</u>	<u>-13,370</u>	<u>-13,436</u>
New Primary Guarantees	400	153	152	---	---	---	---

TABLE IV-8. PROPOSED CHANGES IN ENERGY CREDIT PROGRAMS
(By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
Baseline Direct Loans	12.6	13.3	13.7	14.1	14.2	
Proposed changes						
REA	-0.6	-0.6	-0.7	-0.7	-0.8	-3.4
REA, FFB direct loans	-1.7	-1.9	-2.2	-2.4	-2.6	-10.8
REA, loan assets <u>a/</u>	<u>(---)</u>	<u>(-0.2)</u>	<u>(-0.4)</u>	<u>(-0.7)</u>	<u>(-0.7)</u>	<u>(-2.0)</u>
Total change	-2.3	-2.5	-2.8	-3.1	-3.4	-14.2
President's budget as estimated by CBO	10.3	10.8	10.9	11.0	10.9	
Baseline Loan Guarantees	0.2	---	---	---	---	---
Proposed changes						
REA	-1.6	-2.1	-2.5	-2.9	-3.2	-12.3
REA guarantees of direct loans	<u>1.7</u>	<u>2.2</u>	<u>2.6</u>	<u>3.0</u>	<u>3.3</u>	<u>12.8</u>
Total change	0.1	0.1	0.1	0.1	0.1	0.5
President's budget as estimated by CBO	0.3	0.1	0.1	0.1	0.1	

a/ Amounts in parentheses are changes that are added and then deducted from the credit budget, and do not affect total change.

billion in 1984. The Administration proposes to reduce guarantees from \$5.3 billion in 1983 to \$3.8 billion in 1984, a difference of \$1.5 billion. This represents a reduction of \$2.2 billion from the baseline in 1984. The CBO

TABLE IV-9. RURAL ELECTRIFICATION ADMINISTRATION (By fiscal year, in millions of dollars)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984

Direct Loan Obligations					
Limitation	1,425	1,100	1,152	1,426	575
Unused balance of limitation	<u>-326</u>	<u>---</u>	<u>---</u>	<u>-325</u>	<u>---</u>
Total, on-budget direct loan obligations	1,099	1,100	1,152	1,101	575
FFB transactions					
Loan asset purchases	528	600	592	600	564
Guaranteed loan purchases	<u>4,712</u>	<u>4,745</u>	<u>4,968</u>	<u>4,645</u>	<u>3,260</u>
Total FFB acquisitions	<u>5,240</u>	<u>5,345</u>	<u>5,560</u>	<u>5,245</u>	<u>3,824</u>
Total, gross direct loan obligations	6,339	6,445	6,712	6,346	4,399

baseline assumes the floor level for guarantees while the Administration estimate assumes the ceiling.

The Administration anticipates that an increase in the availability of supplemental financing from the National Rural Utility Cooperative Finance Cooperation and other sources will satisfy a part of the capital requirement of the rural electric systems.

Total outstanding commitments for REA loan guarantees in 1982 were \$30.8 billion, \$10.7 billion more than the total loan guarantees made. In 1983, the Administration estimates \$35.4 billion in total commitments and \$26.1 billion in guarantees outstanding, a difference of \$9.3 billion. In 1984, the difference decreases to \$7.3 billion with total commitments estimated at \$38.6 billion and total guarantees outstanding of \$31.3 billion. REA projects often have a long lead time from commitment to actual disbursement of loans.

Table IV-9. (Continued)

	1982 Actual	CBO Baseline Estimates		President's Budget as Estimated by CBO	
		1983	1984	1983	1984
Loan Guarantee Commitments					
Limitation	6,400	4,745	4,968	5,950	3,360
Unused balance of limitation	-1,288	---	---	---	---
Guarantees of assets sold to FFB	<u>528</u>	<u>600</u>	<u>592</u>	<u>600</u>	<u>564</u>
Gross loan guarantee commitments	5,640	5,345	5,560	6,550	3,924
Net Direct Lending					
Off-budget					
REA	130	93	94	93	94
FFB	<u>3,939</u>	<u>4,872</u>	<u>4,813</u>	<u>4,872</u>	<u>4,782</u>
Total	4,069	4,965	4,907	4,965	4,876
Cumulative Outstanding					
Direct loans	9,774	9,867	9,961	9,867	9,961
Loan guarantees	17,001	21,873	26,685	21,873	26,655
FFB	16,282	21,154	25,967	21,154	25,936

Tennessee Valley Authority

The Tennessee Valley Authority (TVA) is a government-owned corporation created to oversee the unified development of a river basin comprising parts of seven states. The Seven States Energy Corporation is a TVA subsidiary that finances TVA's nuclear fuel acquisition. The corporation borrows from the FFB to finance its lending, with TVA guaranteeing the indebtedness through purchase agreements. The CBO baseline projection for the corporation's gross borrowing from the FFB is \$6.4 billion in 1984, an increase of \$0.7 billion from the 1983 base, (see Table IV-10). After increasing by \$0.4 billion in 1985, the program is expected to level at approximately \$6.9 billion through 1988.